



**WILLIAM T FUJIOKA**  
Chief Executive Officer

## County of Los Angeles **CHIEF EXECUTIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

February 6, 2008

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

### **LONG BEACH COURTHOUSE TRANSFER OF COUNTY'S EQUITY INTEREST (FOURTH DISTRICT) (3 VOTES)**

#### **IT IS RECOMMENDED THAT YOUR BOARD:**

1. Find that the recommended actions are categorically exempt from the provisions of the California Environmental Quality Act pursuant to Section 15061(b)(3) of the State CEQA Guidelines.
2. Authorize the Chair of the Board to execute the "Agreement for Compensation for Equity Interest" transferring the County's equity interest in the Long Beach Courthouse to the State of California for a payment of \$5,889,000.
3. Authorize the Chief Executive Officer to execute any other documents necessary to complete the transfer of equity interest, upon approval as to form by County Counsel.
4. Instruct the Chief Executive Officer to deposit proceeds of the transfer of equity interest into the Asset Development Improvement Fund.

Board of Supervisors  
**GLORIA MOLINA**  
First District

**YVONNE B. BURKE**  
Second District

**ZEV YAROSLAVSKY**  
Third District

**DON KNABE**  
Fourth District

**MICHAEL D. ANTONOVICH**  
Fifth District

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the recommendations in this letter will remove an impediment to the State's implementation of the "Long Beach Courthouse Replacement Capital Improvement Project," by providing the State unencumbered title to the existing Long Beach Courthouse property. The 2007-08 State Budget includes \$5.9 million for the first phase of the Project, which has been defined as the transfer of the County's equity interest to the State. According to the Judicial Council of California's Administrative Office of the Courts (AOC), the release of the County's equity interest is required by the State Public Works Board prior to further work on the replacement project. The implementation of the State's replacement project is very important, both to the Los Angeles Superior Court and to the Long Beach and surrounding communities. Additionally, this 31-courtroom project is in the Immediate Need priority group in the Judicial Council's Trial Court Capital-Outlay Plan and consequently a top priority project for the Judicial Council.

The existing 27-courtroom facility results from a 1965 expansion of the original building, as well as the more recent addition of a modular building used for traffic court. Although the County's in-process \$13.9 million seismic and accessibility upgrade to the courthouse is mitigating those issues, its usage has evolved such that it is among the worst in the State in terms of overcrowding and the corresponding shortfalls in security; furthermore, the building suffers from a number of deferred maintenance issues. The facility cannot meet the growing needs of the Los Angeles Superior Court, which moves approximately 225 prisoners through its staff and public corridors each day.

Due to fiscal concerns with the upcoming State Budget, the AOC believes, and we concur, that if the County does not move forward with the recommended transfer of equity interest, the first phase of the project may not get reappropriated for 2008-09, and the opportunity to replace the Long Beach Courthouse in the foreseeable future could be lost. The AOC's timeline for the equity transfer required them to provide a copy of the attached contract "pending Board approval" by the January 16<sup>th</sup> filing deadline for submission of documents to the Department of General Services' Acquisition Review Board, in order to avoid cost escalations in their estimate of the replacement project because of delays in the schedule. The AOC fears that such cost escalations could also jeopardize State approval of future phases of the replacement project.

Although the \$5.9 million payment does not cover the County's appraised value for our equity, we believe that other provisions in the attached agreement offset that loss, providing a fair arrangement between the State and the County.

### **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan directs that we provide the public with beneficial and responsive services (Goal 1). The transfer of the County's equity interest in the Long Beach Courthouse real property will help to ensure that court services are provided to the Long Beach community, by allowing the State to move forward on a capital replacement project for the courthouse.

### **FISCAL IMPACT/FINANCING**

Approval of the recommendations in this Board letter will have no effect on County operating costs and revenues, but will provide a one-time infusion of \$5.9 million into the Asset Development Implementation Fund. It is contemplated that these funds will be used to offset County costs for replacement space in the Long Beach Courthouse replacement project.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Trial Court Facilities Act of 2002 (SB 1732, or the Act) authorizes the State, through the Judicial Council, to assume the financial responsibility for the facilities operations (e.g., payment of utilities, building and grounds maintenance, permitting of equipment, and other building management functions) in the local trial courts, and in the Superior Court share of buildings that house both courts and County functions. Prior to responsibility transfer under the Act, the County has continued to perform these functions and pay these costs from the County General Fund's Trial Court Operations, Rent Expense, and Utilities budgets, as well as minor expenditures from the Criminal Justice Facilities Temporary Construction Fund and the Judgments and Damages/Insurance budgets. (Equivalent facilities operations costs for the other tenants, including the District Attorney, the Public Defender, and the Probation Department, are charged to those entities.)

In addition to the transfer of responsibility, the Act provides for the transfer to the State of fee title to court facilities, unless the facilities are in a joint-use building; in joint-use buildings, title may either remain with a county or be transferred. No matter which entity holds title, after transfer, the shares of financial value of the ownership (the "equity shares") are to be based primarily on respective occupancies within the building. Under the Act, counties are not entitled to any compensation for the equity value of the State's share of a transferred building, retaining only the equity value of the county's share. The Act states that the principal guiding negotiations related to title and equity shares shall be "the preservation of the respective equity interests of the county and the state."

On June 19, 2007, the Board of Supervisors approved the transfer of the Superior Court share of the Long Beach Courthouse under the Act. The Transfer Agreement provides that, beginning July 1, 2007, the Judicial Council is responsible for the Superior Court's 75.6 percent share of costs for facilities operations. In addition, it provides for the transfer both of the title, which was then anticipated to have occurred by October 1, 2007, and under most circumstances, of 75.6 percent of the equity.

Meanwhile, in the State budget, the Legislature appropriated and the Governor approved \$5,889,000 for the first phase of a new Long Beach Courthouse to replace the existing, aging building. This first phase was labeled the "equity buy-out" of the County's interest in the property. The \$5.9 million was calculated based on the County's exclusive use area only, without including any value for the County's rights to and interests in the building's common areas, and without the support of an appraisal.

In August 2007, the County received a letter from the AOC, advising that the State Public Works Board is requiring that the State secure unencumbered title to the existing Long Beach Courthouse prior to further activity on the courthouse replacement project. While no offer was stated, the amount in the State budget effectively limits any current-year compensation to \$5.9 million.

In September, this Office engaged an appraiser familiar with the Long Beach area, R.P. Laurain & Associates. Laurain's report, dated December 27, 2007, finds a fair market value of \$15.6 million as just compensation for the County's equity share of the Long Beach Courthouse property, based on a \$64 million value for the entire property.

Due to the substantial difference between the County's total equity interest of \$15.6 million and the State's \$5.9 million budget limit, the attached agreement provides that the State shall make office space available in the replacement courthouse for County agencies, subject to the County's agreement, for a value which excludes any capital costs or, in the case of a lease, any basic rent, associated with the common area. We believe that this solution provides a fair return on the County's transfer of the uncompensated \$9.7 million in equity value.

### **ENVIRONMENTAL DOCUMENTATION**

The recommended actions are exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Section 15061(b)(3) of the State CEQA Guidelines, as it can be seen with certainty that there is no possibility that the sale of the County's equity interest in the Long Beach Courthouse property will have a significant effect on the environment. Approval of the equity transfer agreement does not authorize the replacement of the existing Long Beach Courthouse. If and when the State determines to move forward with the courthouse replacement project, it will be the lead agency for the purposes of complying with CEQA.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The recommended actions will have no impact on current County services or projects. Specifically, it will not affect County operations or any costs of operations in the existing Long Beach Courthouse.

### **CONCLUSION**

Please return one adopted copy of this letter and four signed originals of the agreement to the Chief Executive Office for further processing.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF: DL  
JSE:MV:tlh

Attachments (5)

c: County Counsel  
Auditor-Controller

AOC Facility # 19-Y1;  
County LACO # 4288  
Long Beach Courthouse  
415 W. Ocean Blvd., Long Beach, CA 90802

**AGREEMENT**  
**FOR COMPENSATION FOR EQUITY INTEREST**  
**BETWEEN THE JUDICIAL COUNCIL OF CALIFORNIA,**  
**by and through**  
**THE ADMINISTRATIVE OFFICE OF THE COURTS,**  
**AND THE COUNTY OF LOS ANGELES**  
**FOR THE LONG BEACH COURTHOUSE**

AOC Court Facility # 19-Y1  
County LACO # 4288  
Compensation for Equity Interest

## AGREEMENT FOR COMPENSATION FOR EQUITY INTEREST

The Judicial Council of California, an entity established by the Constitution of the State of California (the "**Council**"), by and through the Administrative Office of the Courts, staff agency to the Council (the "**AOC**"), and the County of Los Angeles, a body corporate and politic (the "**County**"), establish this Agreement ("**Agreement**") as of ~~January~~ <sup>February</sup> 16, 2008, for the compensation to the County for its Equity interest in the Building and the Real Property commonly known as the Long Beach Courthouse, as the term "Equity" is used in the Trial Court Facilities Act (the "Act").

### RECITALS

1. The County and the Council, pursuant to the Act, entered into a Transfer Agreement as of June 19, 2007, for the transfer of responsibility and title to the Long Beach Courthouse ("**Transfer Agreement**").
2. As of July 1, 2007, the Responsibility Transfer Date, responsibility for the Court Facility portion of the Long Beach Courthouse was transferred from the County to the Council.
3. The Parties agreed that transfer of the title to the Long Beach Courthouse by the County to the State would take place upon recordation of the Quitclaim Deed by the Los Angeles County Recorder.
4. The Parties mutually agreed that the County would be compensated for its Equity interest in the Building and Real Property in accordance with section 4.3.13 of the Transfer Agreement.
5. The AOC has offered the County five million eight hundred eighty-nine thousand dollars (\$5,889,000) for the County's Equity interest, which amount is based on the County's Exclusive Use Area only.
6. Capitalized terms used in this Agreement shall have the same meanings as set forth in the Transfer Agreement to the extent that such capitalized terms are defined therein and not redefined in this Agreement.

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, the parties hereto hereby agree as follows:

A. Compensation for Equity Interest. The Council shall compensate the County for its Equity interest in the Building and the Real Property in the amount of five million eight hundred eighty-nine thousand dollars (\$5,889,000) (the "**Compensation**").

AOC Court Facility # 19-Y1  
County LACO # 4288  
Compensation for Equity Interest

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Effective upon its receipt of the Compensation, the County shall relinquish all of its Equity interest in the Building and the Real Property to the Council.

B. Replacement Space in the New Long Beach Replacement Courthouse.

(1) Third Party Development of Replacement Courthouse. The AOC anticipates that the New Long Beach Courthouse (the “**Replacement Courthouse**”) will be designed, built, financed and operated by a third party developer or subsequent third party owner (“**Developer**”). If the Replacement Courthouse is designed, built, financed and operated in this manner, the Council and the AOC shall require that the Developer design the Replacement Courthouse to include office space (the “**Replacement Space**”) at least equivalent in functionality to the existing County Exclusive-Use Area and of a size of at least 39,403 useable square feet to be available for County occupancy. The Council and the AOC shall require that the Developer of the Replacement Courthouse make the Replacement Space available to the County. All of the terms of the County’s occupancy of the Replacement Space must be agreed to between the County and the Developer; however, the Council and the AOC shall require the Developer to limit any consideration for basic rent, exclusive of normal operating costs, to be paid by the County for the Replacement Space to a per-square-foot price that reflects fair rental value for rentable square feet in the Long Beach area for similarly situated Class A office properties of a similar age, except that the County’s payment shall reflect the County’s usable square feet only. The Council and AOC shall have no liability in the event that the County and Developer cannot come to mutually agreed upon terms for the County’s occupancy of the Replacement Space.

(2) State-Owned Replacement Courthouse. If the Replacement Courthouse is owned or financed by one or more of the State Parties, then the Council and the AOC shall ensure that the Replacement Courthouse is designed to include Replacement Space at least equivalent in functionality to the existing County Exclusive-Use Area and of a size of at least 39,403 usable square feet to be available for County occupancy. The Council and the AOC shall make the Replacement Space available to the County. The Replacement Space may be provided in the form of an operating lease or by allowing the County to contribute to the capital costs of the Replacement Courthouse. If the Replacement Space is provided through the form of an operating lease, then the Council and the AOC shall limit any consideration for basic rent, exclusive of normal operating costs, to be paid by the County for the Replacement Space to a per-square-foot price that reflects fair rental value for rentable square feet in the Long Beach area for similarly situated Class A office properties of a similar age, except that the County’s payment shall reflect the County’s usable square feet only. If the Replacement Space is provided through the form of shared capital costs, then the Council and the AOC shall limit any consideration for those capital costs to the County’s pro-rata share of capital costs, based on the County’s usable square feet as a function of the total rentable square feet of the Replacement Courthouse.

(3) Operating Costs in Replacement Space. The Parties agree that the County's share of operating costs, including utilities, janitorial and maintenance, and insurance costs, will be based on actual costs incurred per rentable square foot, or based on fair rental value per rentable square foot.

C. Except as specifically set forth in this Agreement, all of the terms and provisions of the Transfer Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties enter into this Agreement as of the date first written above.

APPROVED AS TO FORM:  
Administrative Office of the Courts  
Office of the General Counsel

By: [Signature]  
Name: Melvin Kennedy, Managing Attorney  
Date: 01-17-08

JUDICIAL COUNCIL OF CALIFORNIA

By: [Signature]  
Name: Ronald G. Overholt  
Title: Chief Deputy Director,  
Administrative Office of the Courts  
Date: 1/17/08

ATTEST:  
Sachi A. Hamai  
Executive Officer, Board of Supervisors

COUNTY OF LOS ANGELES, a body  
corporate and politic

By: [Signature]  
Deputy



Approved as to Form:

RAYMOND G. FORTNER, JR.  
County Counsel

By: [Signature]  
Principal Deputy County Counsel

By: [Signature]  
YVONNE B. BURKE  
Chair, Board of Supervisors  
Date: February 6, 2008

I hereby certify that pursuant to  
Section 25103 of the Government Code,  
delivery of this document has been made.

SACHI A. HAMAI  
Executive Officer  
Clerk of the Board of Supervisors

By: [Signature]  
Deputy

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

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FEB 06 2008

AOC Facility # 19-Y1  
County LACO # 4288  
Compensation for Equity Interest

[Signature]  
SACHI A. HAMAI  
EXECUTIVE OFFICER

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